



TALKING POINTS

Housing Privatization: Other Eligible Tenants List

The Military Housing Privatization Initiative (MHPI) of 1996 provided the Air Force with authority to enter into public/private partnerships in order to attract private sector financing and expertise, providing necessary housing faster and more efficiently than traditional military construction processes allowed. In order to ensure lenders that loan commitments could be met, the Air Force agreed to expand the pool of eligible tenants in the event occupancy rates fall, and stay, below 95 percent.

KEY MESSAGES

- Housing Privatization (HP) legislation was initiated in an effort to improve the quality of life for Airmen and their families. Without private sector financing, it would have taken twice as long to complete necessary renovations and upgrades through normal appropriations.
 - In addition to the initial overhaul, the 50-year agreements also include a major renovation effort at the midway point of the partnership, ensuring that homes stay modernized and in good repair throughout the course of the agreement.
- With nearly \$8.3 billion in HP development, private sector lenders recognized there was a loan repayment risk if the Air Force couldn't guarantee steady occupancy rates. In response, the Air Force agreed to expand the pool of eligible tenants using a tiered, time-based priority list that triggers when occupancy rates drop below 95 percent.
 - Project owners work closely with their installation commander to mitigate risks that could result in decreased occupancy rates. Commanders are encouraged to promote the benefits of privatization in order to maximize target tenant occupancy.
 - The first two tiers are designated for individuals with a direct tie to active or reserve military service and federal civil service. Defense contractors fall into the third tier.
 - Members of the general public are placed in the very last tier and are only afforded a rental opportunity if members of the other tiers are unable to fill at least 95 percent of the project owner's homes within 90 days of falling below the target.
- Without the backing of private sector lenders, project owners would not finance expensive renovations, upgrades and operating costs. Rent paid by other eligible tenants (OETs) provides the resources project owners depend on to continue providing quality homes and services to military families.
 - Commanders are encouraged to promote occupancy to upper Tier OETs at all times, even if occupancy exceeds 95%, in order to maximize funding for sustainment and future amenities. The Air Force shares in profits generated by the project. In many cases, 80% or more of profits are reinvested back into the

QUICK FACTS

- Of the \$8.3 billion in HP development, approximately \$619.4 million was funded through government contributions, with the private sector contributing the remaining amount.
 - In other words, for every dollar the Air Force spent, \$13 dollars was invested by the private sector.
- The MHPI program includes 53,240 units across 63 installations.
- Comparing today's general public occupancy rates to one year ago, Air Force-wide, the total percent of general public occupied homes remains a steady 1.5%.

Other Eligible Tenant Priority

Tier 1	Other Active Duty military, National Guard & Reserve (plus family)
Tier 2	Retired military, Federal Civil Service Employees and retired (plus family)
Tier 3	DoD contractors / permanent employees (plus family)
Tier 4	General public

- project for the benefit of current and future Airmen.
- Increasing occupancy from 95% to 98% typically yields an additional \$1-2 million per project in annual project revenues.
- Airmen and their families remain priority number one. The safety and well-being of service members and military families always come first.
 - Opening the pool of housing applicants does not compromise safety; other eligible tenants are subject to stringent background and credit checks and the majority of OETs already enjoy some sort of affiliation with the Installation.
 - OETs can only sign year-long leases. Leases are renewed on a case-by-case basis that takes into account occupancy rates, needs of the Air Force and other neighborhood considerations.
 - OETs are unable to renew leases if Airmen are awaiting on-base housing.
- The ability to open privatized housing neighborhoods to other tenants also prevents expanding numbers of vacant, derelict houses if base populations unexpectedly drop.
 - In addition to avoiding the waste of uncollected rent on an empty home, the supplemental occupancy prevents otherwise empty houses from becoming an attractive nuisance for vandalism and preserves vibrant neighborhoods for our Airmen and families.
- OETs residing on military bases do not receive additional base privileges based on their status as a resident.
 - For example: a retired veteran living on base is entitled to shop at the commissary using their military I.D., but a member of the general public living on base would not be permitted to shop at the commissary, BX etc...
- Like the other branches of service, the Air Force saw a steady increase in troop numbers over the past two decades. That number is projected to experience significant reductions over the next few years as defense leaders face mandatory budget cuts.
 - Regardless of the size of tomorrow's Air Force, project owners need to account for all 50 years of their housing agreements.
 - In the event troop numbers drop, Air Force leaders and project owners depend on the "waterfall system" to complete initial development plans, continue modernizing, perform mid-term improvements and maintain the superior service Airmen and their families have come to expect.
 - As troop numbers continue to fluctuate, the OET system helps ensure that HP assets remain serviced and readily available, Air Force-wide, for future generations of Airmen.

- A case study at Robins AFB revealed that from 2007-2012; OETs (Tier 1-3) provided 52.8% of revenue generated and GP (Tier 4) 26%. OETs essentially enabled the project to continue to meet its debt obligation and provide long-term project viability for current, and future, residents.

